FINC 4531 – Intermediate Corporate Finance – Spring 2002

Professor: Ron Best  
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Phone: (770) 836-6469  
Office Hours: M & W: 1:00-3:30 PM; M: 6:00-7:00 PM; T: 1:00-5:00 PM (or by appointment)
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(I am in my office most days. Feel free to “drop-in.”)

I. Catalog Description:
An in-depth study of financial planning and management with emphasis on capital structure and dividend payout policies, cost of capital and capital budgeting, and working capital management. The course serves as a framework for understanding a broad range of corporate financial decisions. Cases and directed readings are used extensively.

II. Required Background or Experience:
A. Prerequisites: FINC 3511
B. Prerequisite Justification:
A general knowledge of present value analysis, capital budgeting and cost of capital as well as financial planning concepts are required. These topics are covered in FIN 3511. In addition a general knowledge of the concepts of accounting are needed. These topics are covered in ACCT 2101 and ACCT 2102 which are prerequisites to FINC 3511.
C. General Education (Core) Contributions:
The course uses the oral skills developed in COMM 1110 and the critical thinking and analysis abilities developed in mathematics. The knowledge gained in core area IV courses of ACCT 2101 and ACCT 2102 are used.

III. Expected Outcome:
A. Improve communication effectiveness in oral and written case presentations (LO 1, 2, 5, 6, 7, 9 ER 1, 2, 5 and 9).
B. Improve research and analytical skills through case analysis and presentation (LO 2, 3, 5, 6, 9 ER 1, 2).
C. Be able to prepare a cash budget and use it to evaluate the amount and timing of a firm's financing (LO 2, 3, 6, ER 1, 2).
D. Understand the concepts of the theory of the capital structure and cost of capital of the firm (LO 2,6) (ER 5,8).
E. Understand how to determine incremental cash flows (LO 2, 3, 6, ER1, 2).
F. Understand and be able to apply the analytical techniques of capital budgeting to determine whether or not a new project should be accepted or rejected (LO 2, 3, 6 ER 1,2).
G. Apply statistical techniques to risk analysis as it applies to the budgeting process (LO 2, 3, 6, ER 1, 2).
H. Explore controversial issues, looking at both sides of the arguments such as the Theory of the Firm as presented by Modigliani and Miller and the traditional approaches (LO 4,5,7,8) (ER 5,8).


V. Special or Unique Student Materials:
A financial calculator with a "cash flow" button is highly recommended. (Examples: Hewlett Packard 10B; Texas Instr. BA II Plus; Sharp EL-733A).
VI. Special or Unique University Facilities:
Access to the Richards College of Business Computer Lab.

VII. Expanded Description of the Course and Instructional Methods:
A. Expanded Course Description
This course initially examines cash budgeting (as opposed to operating budgeting) as a means of determining when the firm will have excess cash or a need for additional cash. Methods for determination of the firm's cost of capital and the use of capital budgeting both from applicable techniques and from a stand point of statistical risk analysis follows. The last portion of the course concentrates on firm valuation, capital structure and leverage, and dividend policy.

B. Instructional Methods
1. Lecture and problem solving.
   A discussion of the topics presented in IV above is integrated into a complete theory of the financial structure of the firm. Problems are analyzed in class in discussion and case presentation and critique is used.

2. Project, case, and problem research, analysis and presentation
   Students form into case groups of three to five students and each group is assigned a project, cases, and problems to solve and present to the class. After the presentation by the group, the class discusses the material. Lecture and discussion precedes each presentation. The project, cases, and problems serve as a means of applying concepts learned earlier in the course and in other courses such as statistics and accounting. ALL students are responsible for the material covered. Everyone is advised to solve each case and problem.

3. Corporate analysis
   Student groups of three to five members are to critically examine, prepare a written report, and make an oral presentation on the global strategy of a major corporation. (Include a basic financial analysis of the company. Also, include a discussion of the firm's cost of capital, capital structure, and dividend policy. Discuss how globalization issues affect these areas.)

VIII. Methods of Evaluating the Outcomes:
A. Evaluation Tools
   Group case analysis and presentation 15%
   Group corporate analysis and presentation 20%
   Exam 1 15%
   Exam 2 25%
   Exam 3 25%
   (I reserve the right to "curve" grades.)

B. Administrative Policies
   1. Information regarding test scores will not be given out over the telephone. If you are absent when exams are returned, you must contact me in person to receive grade information.
   2. Requests for adjustments to exam scores must be made in writing within ONE WEEK of the return of the test. Only WRITTEN requests will be considered.
   3. Attendance Policy:
      a) Regular Class Meetings: You are expected to attend all class meetings. Attendance will be taken each class period, using a seating chart and sign up sheet after the first couple of class meetings (the seating chart helps me to more quickly learn everyone’s name). If you miss three class meetings, you will be dropped from the class.
b) **Excused Absences:** If you wish to have an absence excused, please provide me with a written statement (within two class days of the absence) explaining why the class was missed. I will then tell you whether I will excuse the absence or not (or tell you what additional support is needed).

c) **Scheduled Exams:** Makeup exams will likely be more difficult than the scheduled exams and may include an oral portion. If your absence from an exam is not excused, you will receive a zero for that exam. If possible, please notify me in advance if you know you will be unable to take an exam at the scheduled time. In any event, you must notify me within two class days of the missed exam, or the absence will not be excused.

d) **General:** You are responsible for knowledge of any administrative announcements (test information, schedule changes, etc.) that are made at any time during scheduled class periods regardless of whether you are in attendance. It is recommended that you make a reciprocal agreement with a classmate to share missed notes and other class information.

4. Code of Conduct: Honesty and integrity are necessary to the academic and professional functions of business. Acts of dishonesty undermine the basic foundation of the academic environment. Improper academic conduct on the part of students shall be interpreted to mean the obtaining and using of information during an examination by means other than those permitted by the instructor, including the supplying of such information to other students. All forms of academic dishonesty, including cheating, plagiarism, and falsification of academic records are subject to disciplinary action.

C. **Learning Domains**
   1. Cognitive: Knowledge; comprehension; synthesis; analysis; evaluation.
   2. Affective: Receiving; responding; valuing; organization; characterization.

IX. **Daily Course Outline:**

**TENTATIVE SCHEDULE**

<table>
<thead>
<tr>
<th>Jan</th>
<th>7</th>
<th>Chapters 1 and 2 - Overview and Basic Financial Tools</th>
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<tbody>
<tr>
<td>14</td>
<td></td>
<td>Chapters 3 and 4 - Financial Statement Analysis and Valuing the Firm</td>
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<td>21</td>
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<td><strong>MLK Holiday</strong></td>
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<td>28</td>
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<td><strong>Exam 1</strong></td>
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<td>Feb</td>
<td>4</td>
<td>Chapter 5 - Determining the Cost of Capital</td>
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<td>Chapters 6 and 7 - Capital Budgeting Decision Criteria and Cash Flow Estimation</td>
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<td>18</td>
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<td>Continue Chapter 7 and Case: Cost of Capital</td>
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<td>25</td>
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<td>Chapter 8 - Risk Analysis and Real Options</td>
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<td>Mar</td>
<td>4</td>
<td>Cases: Replacement Decision and Capital Budgeting Under Uncertainty</td>
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<td>11</td>
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<td><strong>Exam 2</strong></td>
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<td>18</td>
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<td><strong>Spring Break</strong></td>
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<td>25</td>
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<td>Chapters 10 and 11 - Capital Structure Decisions: Part I and Part II</td>
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<td>Apr</td>
<td>1</td>
<td>Chapter 12 - Dividend Policy</td>
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<td>8</td>
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<td>Cases: Leverage and Capital Structure and Dividend Policy</td>
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<td>15</td>
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<td>Chapter 22 – Multinational Financial Management</td>
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<td>22</td>
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<td>Cases: Multinational Finance (NOTE: Written portion of project due April 26, 2002)</td>
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<td>29</td>
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<td>Group Project Presentations</td>
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<tr>
<td>May</td>
<td>6</td>
<td><strong>Exam 3 – 8:00-10:00 PM</strong></td>
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**PLEASE NOTE:** This schedule is tentative and could require modification.
NOTE 1. This course covers the following AACSB perspectives:
- Influences of legal and regulatory issues
- Ethical issues
- Oral communication
- International issues
- Social issues

NOTE 2. This course covers the following teaching objectives:
- develops oral communication skills
- develops ability to do research
- develops problem solving (analytical) skills
- develops critical thinking
- encourages social responsibility
- provides depth in major

Case Analysis and Presentation
Each group is responsible for presenting assigned cases to the class. Each group should turn in one paper describing the case and detailing the solutions presented by the group. Copies should be provided for all students in the class. The paper should include a title page which lists the case name and all group members, an executive summary, supporting calculations, spreadsheets, etc., and a clear description of all steps taken to solve the problem. The grade on the case will be a group grade. The assigned grade will depend both on the presentation and written report with attention paid both to content and style.

Each group is also responsible for completing “summary solutions” for all cases not assigned for presentation. These summaries should include brief answers to all questions found in the cases.

Group Corporate Analysis
The corporate analysis project is detailed in a separate handout.